

**SCENARIO PLANNING ANALYSIS FOR STARUP BUSINESS CASE STUDY:
KEMILAU INDONESIA MAGAZINE**

Frieta Miasari Mulyanto and Yos Sunitiyoso
School of Business and Management
Institut Teknologi Bandung, Indonesia
frieta@sbm-itb.ac.id

Abstract - This research explained about the application of scenario planning analysis as solution for Kemilau Indonesia Magazine (KIM) which was born from the opportunities as information and promotion media of tourism. As a new player, KIM has several internal and external issues that impact on its survival. The technique used in this method is to collect data and information to be analyzed in order to generate predictions as a preparation for decision making process. This method give an overview of early warning, implications and options in each scenario drawn from the analysis of external and internal as recommendation for the company which could be used as a reference in determining and developing company's business strategy.

Keywords: Kemilau Indonesia Magazine, scenario planning, strategic decision making, tourism magazine industry

1. Introduction

Indonesia is one of an International destination country which its tourism industry is an important component of the national economy as well as a significant source of foreign exchange revenues. Badan Pusat Statistik (BPS) mentioned about "Jumlah Kedatangan Wisatawan Mancanegara ke Indonesia Menurut Negara Tempat Tinggal" which has increasing numbers from 5,033,400 foreign tourists on 2002 to 7,649,731 tourists on 2011. The same thing happened to the number of local tourists who travel in Indonesia from BPS data between 2007 - 2012 about "Perkembangan Wisatawan Nusantara", that there is an increasing numbers of tourists each year that around 105,954,000 people in the first half of 2012 and will continue to increase until the end of the year.

With the existence of it, the tourism sector could give a chance to other business sectors that will impact directly or indirectly, magazine is one of the examples. However, the condition of the print media in Indonesia today is questionable. One of the reasons is caused by the increasing use of internet technology. Despite on the increasing of internet usage conditions, optimism for print media survival in Indonesia for the next few decades are still in positive sides even though it will getting harder by referring to the news of closure of several major print media in United States and countries in Western Europe also their migration to digital media. This issue was became a topic among publishers meeting on *Serikat Penerbit Surat kabar* (SPS) Center on March 2009, which discussed about the impact of global economic crisis to mass media in Indonesia. Besides that, the price war issues on ads and circulation are become the other threats which already anticipated by the manager which created a differentiation in targeting a very specific market segment.

Kemilau Indonesia Magazine (KIM) in one of a magazine which have specific target readers and provides community-generated contents. This magazine will be a "showroom" for the community for free, gives attractive photos, information, and journey also focusing to Indonesia tourism. As a new product in magazine industry, KIM faced many problems from the lack of brand awareness,

resources, unstable capital availability, slow cash-flows turnover, competitors, also the internet technology. Those problems lead to a question about the existence of this magazine in the future.

To answer the questions, scenario planning could be the suitable approach for dealing with a variety of problems. The main concern is to predict the future with certain accuracy is not asking from forecasting, but this where is scenarios come in. It will gives a set of plausible future environment as a preparation to anticipate and adapted with unexpected leaps also complex uncertainties. (Banhold & Lindgren, 2003)

In order to limit trends extents of the research, a time horizon for scenarios is necessary. This decision on the scenarios should take place after the scenario agenda is made. In this research project, the time limitation is about 5 years based on KIM main concept as a print magazine which its uncertainty on 5 years and above will be high. This research project will outline the scenario, the research and data collection methods of scenario planning process is divided into two parts, primary data which used qualitative method by undertaking an explanation and exploration also as a combination of the in-depth and semi-structured style and the secondary data which is typically documentary, survey based or a combination of it.

2. Business Issue Exploration

A. Conceptual Framework

As a new player in the industry, KIM needs a flexible and an appropriate business strategy to develop and especially to evaluate its market both external and internal. The needs of external and internal environment analysis in the industry is become a fundamental concept in this research paper as an approach to decision making under conditions of uncertainty that helps to overcome many of the shortcomings of traditional decision-making methods. It is expected to minimize the existing gap, especially to respond and adapt to future environment which are increasingly complex, creates challenges and has high level of uncertainties. (Bradfield, 2005)

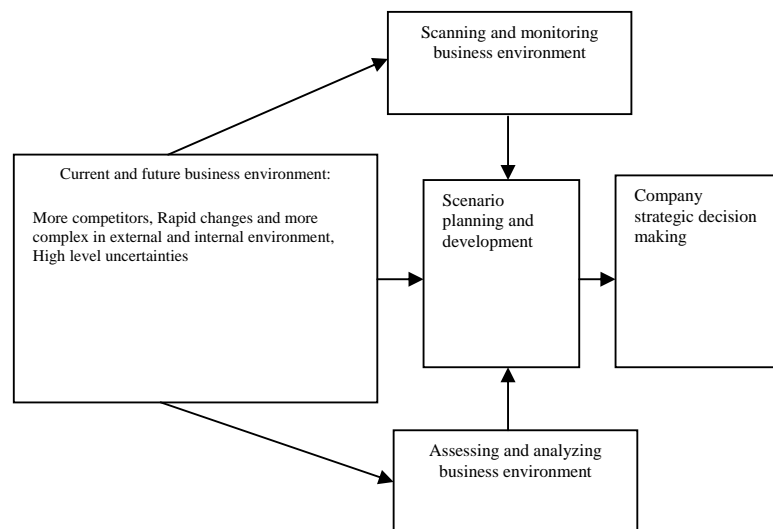


Figure 1. Conceptual Framework

B. General Environment Analysis

Based on the theory of strategic management, a useful tool to scanning the general environment is by using PEST analysis, which refers to political, economic, socio-cultural, and technological factors. The aim is to help company to detect and monitor weak signals to recognizing the discontinuities or fractures shaping environment. (Henry, 2011).

In general, political stabilization issues, government relationship and taxation policy are influenced on tourism behavior because it could affect the media coverage as its main resources for contents.

Next, based on economic sides, the condition of national economic and prices of magazine raw material could affects travel behavior as well and also company's cost of production. Besides that, Inflation rate has positive relation with the growth of print media advertisement, because when inflation rate increases the purchase of an individual also get increase and that lead corporate to advertise more. Thus, this increased advertisement of corporate lead the print media to grow more. On the other hand when inflation rate decreases purchase of an individual also get decreases and at that time generally corporate do not prefer to increase the frequency of the advertisement. In socio-cultural factors, social trends are of great importance to companies which research and produce genetically modified products also it could affect customer needs and size of potential markets. Nowadays, there are various kinds of information that can be offered to the public about tourism news. This can be taken into consideration for the magazine industry to manage and process the contents as the readers want and needs. For example by combining information about tourism and lifestyles which are constantly growth and are increasingly sought by the public.

The pace change of technology is increasing along with the increasing of internet technology. It caused unpredictability and markets are becoming increasingly turbulent. In print media industry, the changes are in production capacity, the cost which related to production and will impact on the number of copies to be printed. Also, changes from print to digital media may affect to the magazine industry itself. And in digital media development, if this magazine does not have any innovation, then the product quality will decrease, could not compete with its competitors and the existence of the brand will be questioned.

C. Industry Analysis

The tool of industry analysis in this research project is by using Porter's five forces analysis. By using Porter's five forces, a company could understand and be aware about the industry condition. After that, they could decide and suggest options to determined company's sustainability in the future, are they have to considered alternative industry, still empower its resources and capabilities, improved their quality and its relation to industry, adapt to the latest trends or it should exit the industry. (Henry, 2011). And based on Porter's five forces analysis for KIM as a publication house in magazine industry, the attractiveness of this business is considered low. This could be happen because this business has medium to high entry barrier, degree of rivalry, and capital availability which makes this business has to prepare many strategies and energy to be able to survive in the industry.

From bargaining power of suppliers, KIM has a low level which is one of distinct advantage because with competitive prices offered by suppliers, KIM could choose the best price even though the rising prices of raw materials such as paper cannot be avoided. On buyer power sides, the buyers or readers are the main concern of this magazine. The readers of this magazine are the community itself which also be its contributors as KIM main resources and become the loyal readers. While, the high level on threat of substitute is the biggest problem that faced by KIM. As a new player in the business, KIM competitors are not only from magazine, but other print and mass media, also the growth of digital media.

D. Internal Analysis

An internal environmental analysis is an extensive review of all aspects in a company's operations, internal guidance and mission. (Henry, 2011) As other company does for their business, KIM also has to develop its resources, capabilities, and competencies. Resources may be thought of as inputs that enable an organization to carry out its activities which could be categorized as tangible and intangible. Tangible resources in this company are KIM's employees whom become its major resources because this tacit knowledge could provide a comparative advantage in this magazine. Intangible resources in this company are KIM as a brand, marketing plan, knowledge and skills of employees which are difficult for competitors to imitate.

Capability is one identification reference to industry key success factors. The organization must evaluate the relative strength of its capabilities by identifying and appraise the capabilities both

inside and outside the organization. The capability of KIM is in the product and by using all aspects owned in the magazine, KIM creates a system to organize its resources to achieve company's goals in providing the ultimate informative travel photography magazine with community-based content.

Competency in a company is a prerequisite for competing within an industry. KIM has assigned a team of experts, who are has passion for the marketing plan to implement its business strategy. The success or failure of its marketing plan much on implementation and control, so that this magazine has a careful attention to the following elements, which are supporting and adapting the plan, also be aware on tourism latest news to get feedbacks from the industry and community which help KIM to determine the appropriateness of its strategy.

3. Business Solution

Literature Review

Scenarios are defined as narrative stories that follow particular paths into the future based on research, trends, and the key concerns of the managers who will use them. It is constructed by the combination and permutation of those predetermined elements and the uncertainties in business environment which are paired to form scenarios in a number of steps or stages of process known as scenario planning. (Banhold & Lindgren, 2003).

The process of scenario planning should be objective and positively influence company strategy. During a scenario planning process, four alternate narratives and hence views of the future are crafted and used to engage us in an open dialogue to test and explore our beliefs and assumptions about the issue at hand. The key focus of the activity is to engage in exploratory dialogue that will lead to developments in shared meaning, emergence of new ideas and insights that will affect decision-making. (Maarck, 2006).

The first step to create a scenario planning is to identify key focal issue. The process must begin with a well-defined question to be answered or problem to be solved and properly set the boundaries of the planning process. Key factors lists are influencing the success or failure of decision, consider the main relevant issues that decision-makers will need to be informed about when making choices.

The next process is to determine what the key forces in the external environment driving the forces in the previous step are. There are two large categories of driving forces. External forces are the social, economic, environmental, and political forces in society that are relevant to the topic of the scenario discussion. The other is organizational forces as the specific actions and general positions taken by actors (individuals, agencies, and organizations) that affect project success.

There are several ways of proceeding scenarios, but the simplest is to begin by summarizing 'certain' picture, what will be a given future development and the qualitative reasoning around trends and causal-loop analysis as a way to setting up a timeline that illustrates the development of certain trends. An approach to find the profitable scenario is to pick out two driving uncertainties that are considered together in a scenario cross. (Banhold & Lindgren, 2003)

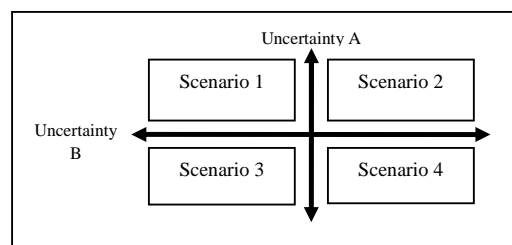


Figure 2. Scenario Cross Based on Two Uncertainties

E. Analysis of Business Solution

The focal issues and key decision factors for KIM based on data collection and discussion concluded as questions about the readiness of KIM in term of its production capacity, resources, technology, and capital in facing the competition.

Table 1. Magazine Impact and Uncertainties Matrix

Degree of Uncertainty				
Low	Medium	High		
Growth of internet Brand awareness	Economic condition Political stability Tourism trends	Growth of digital media Capital availability	High	Level of Impact
Resources Distribution channels	Production cost Operational cost	Substitute products	Medium	
Customer behavior Competitors			Low	

With scenario time limitation on 5 years, the degree of uncertainties and level of impact to the industry could be seen on the list of forces in each quadrant of the matrix above. Based on the table which gives high impact to travel magazine with high level of uncertainties, it could be concluded that the critical forces of uncertainties in the future industry condition for KIM are clustered around those axes. It is also concluded that there are 4 possible scenarios for 2x2 matrix, which are:

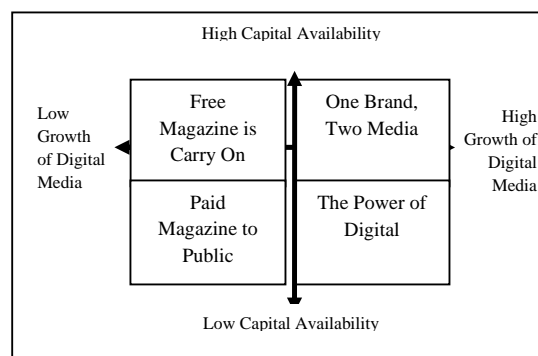


Figure 3. KIM Scenario Matrix

From the matrix above it could be seen four combinations of scenarios as KIM if clauses conditions. If this company has high capital availability and there is low growth of digital media, then this free magazine is still existed. If the company has high capital availability and high growth of digital media,

this magazine could compete in two media, both print and digital to increase brand awareness of the product, also create an expansion plan for the business from national to international.

The lower axes above are the unattractive if clause capital conditions for the company. If the level of growth of digital media is still low, this magazine could still survive by moving the product from free to paid magazine. This could raises up its brand awareness not only for community but also other communities and public. However, the high level uncertainty is the power of digital which makes beneficial to this company to cut of production and operational costs also raises up its brand awareness to a wider range. From those four scenarios, each of them has its implications and options as a consideration for company to create decision for the next strategy. These could also monitored early warning signals from the signposts in financial, production, operation, and technology. Those implications and options are detailed on the table below.

Table 2. KIM Implications and Options

Scenarios	Implications	Options
High capital availability & Low growth of digital media	<ul style="list-style-type: none"> • Positive capital availability will make magazine production keep running • Gain more readers and contributors • New brand name • Compete with other competitors • Gain more distribution channels 	<ul style="list-style-type: none"> • Find suppliers to print in reasonable price • Create marketing and promotion strategy • Create standard operational procedure • Doing intensive socialization to build good communication in internal and to approach contributors • Hired many marketing freelancers
High capital availability & High growth of digital media	<ul style="list-style-type: none"> • Ready to compete both in print and digital media • Powerful brand awareness • Limited production in printing magazine 	<ul style="list-style-type: none"> • Create marketing and promotion strategy • Create standard operational procedure • Increasing readers by create direct

	<ul style="list-style-type: none"> • Has more contributors 	<ul style="list-style-type: none"> and indirect approach strategy • Cutting cost in printing and media coverage • Hired many marketing freelancers
Low capital availability & Low growth of digital media	<ul style="list-style-type: none"> • Need a place for selling the magazine • Increasing in revenues which affect to fast cash-flows turnover • Wider range of readers • Compete with other paid magazine competitors 	<ul style="list-style-type: none"> • Build a partnership with reputable bookstores and agents • Create marketing and promotion strategy • Create standard operational procedure • Hired many marketing freelancers
Low capital availability & High growth of digital media	<ul style="list-style-type: none"> • Compete with other online competitors • Build high technology system • Gain more contributors • No need to print the magazine 	<ul style="list-style-type: none"> • Create marketing and promotion strategy • Create standard operational procedure • Create direct and indirect approach strategy • Cost on digital maintenance • Cutting cost in media coverage

Those scenarios are explained in narratives which more easily to understand and then developed into strategic imperatives by using an outline roadmap strategy. The strategies itself are focused in three main sector, in resources, marketing, and operation.

4. Conclusion and Implementation Plan

This part contains conclusion that has been done in chapter 2 and 3. Based on the analyses, scenario planning that has been used in this research are not using to choose one scenario as recommendation but this is for creating probably strategy which will be used by company in the future by seeing the axes of uncertainties, implications, options and its early warning. On those scenarios there are positive and negative sides to be considered as a reference to develop current strategy and to create future strategy.

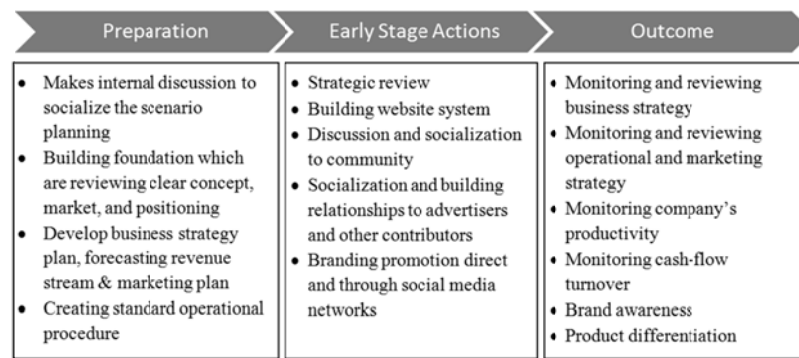
Based on those analyses, As a new magazine, *Kemilau Indonesia Magazine (KIM)* has many problems both internal and external. In internal, its main issues that faced by KIM is about lack of management system which caused its business strategy that being executed at the moment gives impact on company productivity and led to the lack of cash-flows turnover. Second is about the low brand awareness of the products offered, this magazine has difficulty in selling their products to customers, and third is about internal communication. Those current issues that exist in the company are due to the lack of knowledge and direction to each member of the company about its product and strategies that has been planned before.

In external, its main issues are lack of brand awareness and the growth of internet technology which caused the increasingly of internet users and uncertainty growth of people acceptance to digital media. Also, company's readiness and its survival to compete in the industry is still questionable faced by KIM as a new player in travel magazine industry. From external and internal environment analyses, it could be concluded that the attractiveness of this business is low. It is caused of the stability in capital sources and capability, because this industry has high expenses to cover its operations in the business. Stability in financial makes barrier for a new magazine, especially those which offering a free magazine concept that still dependent on number of copies production to achieve high and wide target readers and reach their target revenues to cover up the costs. Unlike the paid magazine that now is no longer chasing the target readers and number of copies.

Brand awareness also a barrier for a new magazine company because at the moment its customers are increasingly critical in putting the product or services that are marketed, so that they are more careful in choosing magazines or media to market their products. For a new player in the industry, this magazine should build many good relationships to get their attention and trust. Last is from the growth of internet technology because the optimal utilization of this technology could accelerate the process of product branding. In internal analysis, resources are important because without high-skilled employees the successfulness of a business strategy in this company will be in doubt. Not only that, other internal aspects as well as key activities, capability and competency should be support to the ongoing success of its business strategies that have been planned in advance.

From those analyses, it could be concluded that the critical forces and drivers of the scenario planning process are about capital availability and growth of digital media. Both of them are became the determinant axes of scenario planning matrix and later, developed into four scenarios then explained the positive and negative scenario in which lead product differentiation, product variations, and substitute media. It is also explained about implications and options from each scenario to be a recommendation for the company which it will lead to strategic imperatives and strategic road map. The implications and options main issues are from company external which mainly aligned with printing production, distribution channels, and public brand acceptance. The internal are aligned with employee capabilities, financial, and company strategy to survive and ready to compete in the industry.

Implementation plan in this research project are carried out after analyzed overall environment, industry, determined forces and drivers of uncertainty, also created scenario narratives to describe the future condition of KIM. As a support and gain involvement to company's decision maker is by having commitment for the output strategy to be implemented and have been aligned. Within those 4 scenarios, the implementation plan below is developing an understanding about the uncertainty factors in every decision that has been made with its limited time horizon.



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